

The Federal Work-Study Program: Impacts on Academic Outcomes and Employment

Student employment subsidies are one of the largest types of employment subsidies and one of the oldest forms of student aid. The Federal Work-Study program (FWS) is the largest student employment subsidy program; since 1964, it has provided about \$1 billion per year to cover 75 percent of wages for student employees, who typically work on campus 10–15 hours per week. FWS subsidizes 700,000 students per year. One out of 10 first-year undergraduates (and three out of 10 undergraduates at private, nonprofit four-year institutions) receive FWS subsidies.

Policymakers may be interested in the extent to which FWS increases students' access to productive employment, and how it impacts students' academic and career success. This brief summarizes findings from a recent study using national data and a propensity score matching approach to examine the overall effects of FWS participation for students enrolled at four-year institutions, as well as its effects under two conditional counterfactuals: What would have happened if the recipient had worked a non-FWS job? And what would have happened if the recipient had not worked at all?

Who Are FWS Recipients?

- **Students appear to be selected on the basis of both need and merit.** Recipients have a lower family income but also higher high school grades, on average, than non-recipients.
- **Students who attend selective private institutions are much more likely to receive FWS** than those who attend public or less selective private institutions.

- **The average family income of FWS recipients differs across institution types.** Compared with recipients at public colleges and universities, those attending private colleges have family incomes that are 28–33 percent higher.

How Does FWS Impact Academic and Employment Outcomes?

- **A slight majority of FWS participants would have worked even if they had not received FWS** (52 percent).
- **Overall, participants work 6 hours more per week than nonparticipants.** However, recipients who would have worked regardless of their FWS status work 1.5 hours *less* per week as a result of the program, while those who would not have worked otherwise work 15 hours more per week.
- **Participants are 3 percentage points more likely than nonparticipants to complete a bachelor's degree** within six years and 2 percentage points more likely to be employed six years after initial enrollment.
- **Among students who would have worked regardless, FWS increases the likelihood of completing a bachelor's degree by 5 percentage points.** However, these students appear no more likely to be employed six years later than non-recipients. The jobs FWS students hold while enrolled pay slightly less than those held by other working students, but they require fewer hours and are more likely to be on campus and related to students' majors.

- Among students who would not have worked otherwise, FWS participation appears to lower first-year grade point averages (GPA) but has no effect on the likelihood of completing a bachelor's degree. Students induced to work by FWS are 3 percentage points more likely to be employed six years later than non-recipients.
- FWS recipients accumulate \$6,263 **more** debt than observably similar non-recipients. The patterns suggest that student loans—rather than functioning as a substitute for student employment—are packaged with FWS funds in a formulaic way.

How Does the Impact of FWS Differ by Income and SAT Score?

- Higher-SAT-scoring and higher income FWS recipients are more likely to be induced to work than lower scoring and lower income students, who have higher rates of employment in the absence of the program.
- Higher income and higher-SAT-scoring recipients experience no academic benefit from FWS. There are no significant positive impacts on academic outcomes for these groups, and the study found significant *negative* effects on GPA for higher income students. Nonetheless, these groups of recipients may still experience small positive impacts on some post-college employment outcomes.
- Lower income and lower-SAT-scoring students experience especially large academic gains from FWS. Lower income and lower scoring FWS recipients are 5 to 7 percentage points more likely to complete a bachelor's degree after six years than similar non-recipients. These gains also translate to small but significant increases in post-college employment.
- Student debt impacts are twice as large for higher-SAT-scoring and higher income recipients than for their lower-SAT-scoring and lower income counterparts. This raises the possibility that the small positive effects on post-college employment outcomes for these groups may be driven by loan debt rather than improvements in human capital.

Main Discussion Points

- Only half of FWS recipients are induced to work because of the program. The other half work less than they would have otherwise. The academic benefits experienced by this latter group seem to be driven by changes in job characteristics: FWS jobs are more likely to be on campus and related to students' major.

- Overall, the positive impacts of FWS are strongest for lower-SAT-scoring students and lower income students. These groups—that in the absence of a subsidy are more likely to be employed while enrolled in college—have greater improvements in their academic and post-college outcomes as a result of FWS than their higher-SAT-scoring and higher income counterparts.
- The increase in loan accumulation by FWS recipients suggests FWS and loans are packaged together. Student debt accumulation by FWS recipients should be explored more deeply.

Policy Implications

- The effectiveness of FWS might be increased by better targeting allocations. Currently, FWS provides disproportionate support to students at selective, private institutions, where the average family income of recipients is higher. The program's benefits for these students may not be as great as its benefits for lower-SAT-scoring and lower income students, who are more likely to attend less selective, public institutions.
- Job characteristics make a difference. Students who would have worked while in school even if they had they not received FWS experience positive academic impacts that may be driven by reductions in their weekly hours worked and by improvements in job amenities (such as on-campus location and relationship to students' majors). FWS also improves future employment prospects for students who are induced to work.

References

1. Scott-Clayton, J., & Minaya, V. (2014). *Should student employment be subsidized? Conditional counterfactuals and the outcomes of work-study participation* (A CAPSEE Working Paper). New York, NY: Center for Analysis of Postsecondary Education and Employment.

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